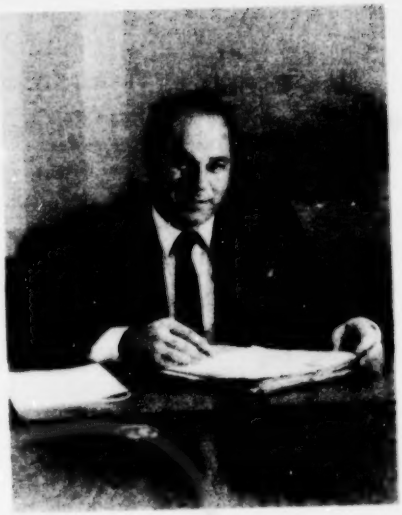
Province of Nova Scotia
Financial Statements
1987

Nova Scotia

88-00585/

This report presents the Financial Statements of the Province of Nova Scotia for the fiscal year ended March 31, 1987. The complete Public Accounts will be presented to the Legislative Assembly at its next session.

Hon. Greg Kerr,
Minister of Finance



Province of Nova Scotia Financial Statements 1987

Nova Scotia

Province of Nova Scotia

Financial Statements

March 31, 1987

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Province of Nova Scotia

Auditors' Report

The Honourable Greg Kerr,
Minister of Finance,
Province of Nova Scotia,
Halifax, Nova Scotia.

Sir:

We have examined the statement of financial position of the Province of Nova Scotia as at March 31, 1987 and the statements of consolidated fund transactions and of current revenue and expenditure for the year then ended together with notes to the financial statements and the supporting statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Province of Nova Scotia as at March 31, 1987 and the results of its consolidated fund transactions and of its operations for the year then ended in accordance with the accounting policies stated in the notes to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
August 6, 1987

Province of Nova Scotia

Statement of Financial Position

as at March 31, 1987

		1987	1986
		(in thousands)	
ASSETS			
Current Assets:			
Cash and short-term investments		$ 269,631	$ 311,569
Accounts receivable		222,419	247,526
Inventories		28,646	28,976
Advances		2,330	2,459
		523,026	590,530
Capital Assets:			
Advances (Note 5)		799,792	758,766
Investments (Notes 3 and 5)		31,211	50,093
		831,003	808,859
		$ 1,354,029	$ 1,399,389
LIABILITIES			
Current Liabilities:			
Bank Advances		$ 41,093	$ 63,607
Accounts payable		212,038	199,289
Accrued interest		175,265	172,108
		428,396	435,004
Capital Liabilities:			
Debentures (Note 6)		5,212,385	4,913,781
Less: Sinking Funds		1,102,183	972,040
		4,110,202	3,941,741
Other Capital Liabilities (Note 6)	$ 50,221		
Less: Sinking Funds	3,958	46,263	38,928
		4,156,465	3,980,669
Deficiency in net assets of Sydney Steel Corporation (Note 4)		272,839	218,878
		4,857,700	4,634,551
NET DIRECT DEBT			
Net Direct Debt		(3,503,671)	(3,235,162)
		$ 1,354,029	$ 1,399,389
Trust Funds under Administration		$ 1,442,386	$ 1,274,843
Contingent Liabilities (Notes 4 and 8)			

Province of Nova Scotia

Consolidated Fund Transactions

for the fiscal year ended March 31, 1987

	1987	1986
	(in thousands)	
Budgetary Transactions		
Current Account		
Excess of Current Operating Expenditure over Revenue and Recoveries	$ 181,518	$ 251,622
Sinking Fund Instalments and Serial Retirements	87,342	77,160
Net Revenue Deficit	268,860	328,782
Capital Account		
Net Capital Expenditure	197,590	189,302
Advance under the Appropriations Act	37	34
Net Budgetary Transactions	466,487	518,118
Non-Budgetary Transactions		
Capital Expenditure for which no vote is required	904	2,656
Net Increase (Decrease) in Advances and Investments	28,145	(7,356)
Expenditure from Health Services Reserve Account	18	18
Earnings on sinking funds pertaining to borrowings for Nova Scotia Power Corporation credited to their Advances	2,946	2,480
Debt Retirement not chargeable to Current Revenue	4,241	4,165
Non-Budgetary Transactions	36,254	1,963
Total Budgetary and Non-Budgetary Transactions	502,741	520,081
Less: Non-Fund Requiring Transactions	633	21,812
	502,108	498,269
Refinancing Transactions	85,294	—
Total Consolidated Fund Transactions	$ 587,402	$ 498,269
Funds Provided By:		
Debentures Issued	$ 373,951	$ 721,445
Debentures Issued to provide for Refinancing of Existing Debt and for Additional Advance to Nova Scotia Power Corporation	139,439	—
Other Capital Liabilities	11,498	—
Disposal of Capital Assets	1,618	425
Increase in non-cash Net Current Liabilities	41,472	7
Decrease (Increase) in Net Cash and Short-term Investments and Bank Advances	19,424	(223,608)
	$ 587,402	$ 498,269

Province of Nova Scotia

Current Revenue and Expenditure

for the fiscal year ended March 31, 1987

	1987			1986
	Estimate	Forecast (in thousands)	Actual	Actual
Revenue and Recoveries				
Provincial Sources				
Income Taxes	$ 683,218	$ 679,256	$ 679,417	$ 621,680
Sales Taxes	703,103	686,165	684,449	643,510
Interest Revenue	69,820	77,798	78,166	73,303
Liquor Commission	85,500	83,200	83,452	82,453
Transportation and Registry of Motor Vehicles	40,699	39,626	40,175	35,210
Other Provincial Revenue	95,341	91,264	94,902	79,758
Federal Sources				
Equalization	625,275	646,804	646,804	621,338
Established Programs Financing	356,424	354,346	354,346	344,679
Shared Cost Programs	168,640	166,807	167,712	151,363
Other Federal Payments	2,251	2,251	2,251	2,251
Other Recoveries	70,589	74,220	72,181	59,021
	2,900,860	2,901,737	2,903,855	2,714,566
Expenditure				
General Government	110,525	108,111	105,346	99,102
Public Protection	98,645	98,050	97,465	77,290
Transportation and Communication	111,243	111,640	110,027	114,464
Resource Development	158,558	149,695	147,355	190,955
Health	848,940	871,228	871,302	816,013
Social Services	318,346	308,815	307,525	298,540
Education	810,177	809,669	806,287	757,909
Culture and Recreation	30,137	30,272	29,944	28,709
Debt Charges	585,887	562,580	558,221	539,269
Municipal Affairs	61,363	60,559	59,574	61,337
	3,133,821	3,110,619	3,093,046	2,983,588
Excess of Current Operating Expenditure over Revenue and Recoveries before prior years' adjustments	232,961	208,882	189,191	269,022
Prior Years' Adjustments — Federal-Provincial Fiscal Arrangements	—	7,344	7,673	17,400
Excess of Current Operating Expenditure over Revenue and Recoveries	232,961	201,538	181,518	251,622
Sinking Fund Instalments and Serial Retirements (Note 7)	87,217	87,193	87,342	77,160
Net Revenue Deficit	$ 320,178	$ 288,731	$ 268,860	$ 328,782

Capital Expenditure

for the fiscal year ended March 31, 1987

	1987			1986
	Estimate	Forecast (in thousands)	Actual	Actual
Capital Expenditure				
General Government	$ 4,437	$ 4,756	$ 16,147	$ 4,401
Public Protection	8,086	7,958	4,624	1,650
Transportation and Communication	82,691	88,085	85,648	110,595
Resource Development	59,653	47,113	44,116	42,232
Health	52,448	39,763	37,083	29,062
Social Services	172	184	158	140
Education	38,505	33,993	32,896	15,895
Culture and Recreation	2,046	2,021	1,967	2,960
Municipal Affairs	23,119	20,910	20,337	15,142
	271,157	244,783	242,976	222,077
Less: Recoveries	61,527	47,515	44,482	30,119
Net Capital Expenditure	$ 209,630	$ 197,268	$ 198,494	$ 191,958

Note: Capital expenditures consist of budgetary and non-budgetary transactions which for the year ended March 31, 1987 amounted to $197,590,000 and $904,000 respectively (1986 - $189,302,000 and $2,656,000).

Province of Nova Scotia

Changes in Net Direct Debt

for the fiscal year ended March 31, 1987

	1987	1986
	(in thousands)	
Net Direct Debt — beginning of year	$ 3,235,162	$ 2,748,698
Add:		
Excess of Current Operating Expenditure over Revenue and Recoveries (Statement 3)	181,518	251,622
Less: Non-Fund Requiring Transactions	633	21,812
	180,885	229,810
Net Capital Expenditure (Statement 4)	198,494	191,958
Increase in provision for doubtful capital advances and investments	4,309	17,032
Expenditure from Health Services Reserve Account	18	18
Increase in deficiency of net assets of Sydney Steel Corporation for the fiscal year (Note 4)	53,961	64,077
(Decrease) Increase in unrealized loss in respect of translation of foreign currency debt, sinking funds and advances	(66,373)	59,682
Discounts on debentures issued	2,690	12,405
Total Additions to Net Direct Debt	373,984	574,982
Deduct:		
Income from sinking funds	102,356	87,988
Proceeds of disposal of capital assets	1,618	425
Recovery of capital advances previously written off	1,501	105
Total Deductions from Net Direct Debt	105,475	88,518
Increase in Net Direct Debt for the year	268,509	486,464
Net Direct Debt — end of year	$ 3,503,671	$ 3,235,162

Province of Nova Scotia

Advances and Investments

as at March 31, 1987

	Advances and Investments	Reserves	Advances and Investments less Reserves 1987	1986
		(in thousands)		
Advances:				
Housing —				
Housing Development Act (net of Canada Mortgage and Housing Corporation and other borrowings of $68,118,000 in 1987 and $71,919,000 in 1986)	$ 125,146	$ 3,355	$ 121,791	$ 124,001
Resource and Industrial Development —				
Agriculture and Rural Credit Act	138,727	8,500	130,227	128,547
Deuterium of Canada Act	113,897	—	113,897	113,892
Fisheries Development Act	62,451	5,813	56,638	58,822
Industrial Development Act	124,446	42,058	82,388	66,035
Industrial Estates Limited Act	77,684	16,600	61,084	70,576
Industrial Loan Act	32,690	2,312	30,378	31,074
Nova Scotia Power Corporation Act	78,180	—	78,180	36,812
Small Business Development Corporation Act	19,237	2,134	17,103	16,440
Venture Corporations Act	11,192	5,518	5,674	4,374
Miscellaneous	1,190	457	733	1,125
Other —				
Loans to Municipalities	33,005	—	33,005	37,154
Universities Assistance Act	68,694	—	68,694	69,714
Health Services Tax Act	1,711	1,711	—	—
	888,250	88,458	799,792	758,766
Investments:				
Investments transferred to the Province from Nova Scotia Power Corporation to repay the Corporation's indebtedness	1,744	—	1,744	1,528
Investments in Industrial Estates Limited	24,039	2,605	21,434	20,015
Other investments in Provincial agencies and other entities	64,018	55,985	8,033	28,550
	89,801	58,590	31,211	50,093
	$ 978,051	$ 147,048	$ 831,003	$ 808,859

Province of Nova Scotia

Additional Advances, Investments and Repayments

for the fiscal year ended March 31, 1987

Additional Advances and Investments 1987	1986		Repayments 1987	1986
(in thousands)			(in thousands)	
		Housing —		
$ 45,039	$ 40,023	Housing Development Act	$ 48,977	$ 38,259
		Resource and Industrial Development —		
15,188	16,532	Agriculture and Rural Credit Act	12,882	10,661
5	20	Deuterium of Canada Act	—	—
8,775	6,343	Fisheries Development Act	17,222	16,276
3,474	15,376	Industrial Development Act	5,786	5,746
10,571	3,877	Industrial Estates Limited Act	12,695	11,195
4,893	6,031	Industrial Loan Act	5,494	4,125
49,139	133	Nova Scotia Power Corporation Act	4,324	3,782
4,963	5,358	Small Business Development Corporation Act	3,518	3,336
2,621	2,022	Venture Corporations Act	3	9
37	34	Miscellaneous	430	333
		Other —		
—	—	Loans to Municipalities	4,150	4,257
5,806	1,768	Universities Assistance Act	6,825	6,842
—	—	Health Services Tax Act	21	18
$ 150,511	$ 97,517		$ 122,327	$ 104,839

Province of Nova Scotia

Debentures and Sinking Funds

as at March 31, 1987

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding	Sinking Funds
				(in thousands)	
Payable in Canadian Currency					
Canada Pension Plan Investment Fund (A)					
CP03	April 1, 1968	Feb. 1, 1988	5.72%	$ 24,639	$ 23,380
CP04	June 1, 1969	Feb. 3, 1989	6.66	29,179	24,682
CP06	May 1, 1970	Feb. 2, 1990	7.51	30,965	23,386
T53	March 3, 1970	March 3, 1990	8.29	3,601	2,754
CP07	July 2, 1971	March 1, 1991	7.79	34,041	22,626
CP08	May 1, 1972	March 1, 1992	7.08	35,715	21,047
CP11	Aug. 1, 1973	March 1, 1993	7.36	38,567	19,768
CP13	Aug. 1, 1974	March 1, 1994	7.53	43,767	19,546
CP14	Aug. 1, 1975	March 10, 1995	8.55	50,910	19,578
CP15	Oct. 1, 1976	March 2, 1996	8.94	57,325	18,755
CP16	Nov. 1, 1977	March 3, 1997	9.00	59,709	16,453
CP18	Nov. 1, 1978	March 1, 1998	9.08	62,852	14,416
CP19	Feb. 1, 1980	March 1, 1999	9.56	68,176	12,583
CP20	Nov. 1, 1980	March 3, 2000	10.59	73,922	11,189
CP21	Oct. 1, 1981	March 2, 2001	12.70	78,277	9,214
CP22	April 1, 1982	March 1, 2002	15.43	96,251	8,984
CP23	June 1, 1983	March 1, 2003	14.67	93,725	5,997
CP24	June 1, 1984	March 1, 2004	11.60	90,597	3,407
CP25	Aug. 1, 1985	Jan. 2, 2005	13.37	85,762	1,632
CP26	April 1, 1986	March 3, 2006	11.48	91,752	(A)
T252	April 1, 1986	April 1, 2006	10.17	11,951	(A)
T253	May 1, 1986	May 1, 2006	9.59	18,034	(A)
T254	June 2, 1986	June 2, 2006	9.62	19,302	(A)
T255	July 2, 1986	July 2, 2006	9.97	12,742	(A)
T256	Aug. 1, 1986	Aug. 1, 2006	9.50	7,845	(A)
T257	Sept. 3, 1986	Sept. 3, 2006	9.54	8,498	(A)
T258	Oct. 1, 1986	Oct. 1, 2006	9.36	5,614	(A)
T259	Nov. 3, 1986	Nov. 3, 2006	9.64	9,061	(A)
T260	Dec. 1, 1986	Dec. 1, 2006	9.55	2,025	(A)
T261	Feb. 2, 1987	Feb. 2, 2007	9.25	943	(A)
T262	March 2, 1987	March 2, 2007	9.04	13,626	(A)
				1,259,373	279,397

Series	Date of Issue	Date of Maturity	Rate	Amount Outstanding	Sinking Funds
	Other Issues				
8J	Sept. 30, 1982	Sept. 30, 1987	14.25	100,000	10,157
6M	Dec. 1, 1967	Dec. 1, 1987	7.00	6,600	6,600
8E	Jan. 28, 1982	Jan. 28, 1988	15.75	25,000	2,390
5Y	Feb. 15, 1963	Feb. 15, 1988	5.25	9,000	9,000
6P	June 15, 1968	June 15, 1988	7.50	15,000	14,199
6R	Oct. 15, 1968	Oct. 15, 1988	7.50	15,000	13,818
7X	May 1, 1980	May 1, 1990	13.75	92,424	2,230
6Y	July 15, 1970	July 15, 1990	9.25	15,000	7,201
7A	March 1, 1971	March 1, 1991	7.25	20,000	13,707
6F	Nov. 1, 1966	Nov. 1, 1991	6.25	15,000	13,663
7C	Dec. 1, 1971	Dec. 1, 1991	7.625	15,000	6,231
6G	Jan. 2, 1967	Jan. 2, 1992	6.50	20,000	13,135
8N	Nov. 1, 1980	Dec. 1, 1987-1993(a)	12.125	253	(B)
8M	Nov. 1, 1983	Nov. 1, 1993	12.00	100,000	7,108
6B	March 1, 1964	March 1, 1994	5.50	7,500	7,500
8R	Feb. 20, 1985	Feb. 20, 1995	11.625	100,000	6,462
7D	Dec. 1, 1971	Dec. 1, 1996	7.625	10,000	4,628
8G	April 15, 1982	April 15, 1997/1988(b)	15.50	100,000	10,680
7Q	Jan. 1, 1979-1987	Jan. 1, 1998	5.50	38,099	(D)
7U	Dec. 21, 1978	Dec. 21, 1998	10.00	50,000	9,418
7W	Jan. 4, 1980	Jan. 4, 2000	11.25	75,000	11,585
7K	March 3, 1975	March 3, 2000	9.25	35,000	13,905
7Z	Dec. 29, 1980	Dec. 29, 2000	13.375	85,000	10,634
7S	March 15, 1978	March 15, 1988-2003(a)	9.75	12,000	(B)
7V	March 30, 1979	March 30, 1988-2004(a)	10.50	17,000	(B)
8Q	Dec. 18, 1984	Dec. 18, 2004	12.625	150,000	4,400
7T	Sept. 7, 1978	Sept. 7, 1987-2008(a)	9.75	17,600	(B)
8S	July 3, 1985	July 3, 2009	11.25	150,000	1,640
8U	Dec. 12, 1985	Dec. 12, 2009	10.875	150,000	1,556
				1,445,476	201,847

Province of Nova Scotia

Series	Date of Issue	Date of Maturity	Rate		Amount Outstanding	Sinking Funds
Payable in United States Currency (E)						
8F	March 15, 1982	March 15, 1989	15.75	(U.S. $ 75,000)	97,912	9,472
8W	June 26, 1986	June 26, 1989	8.00	(U.S. $100,000)	130,550	(C)
8H	Aug 1, 1982	Aug. 1, 1989	15.25	(U.S. $ 75,000)	97,912	8,515
6C	Dec. 1, 1964	Dec. 1, 1989	4.50	(U.S. $ 3,699)	4,829	572
6E	Jan. 15, 1966	Jan. 15, 1991	5.125	(U.S. $ 2,040)	2,663	187
8N	Feb. 1, 1984	Feb. 1, 1991	11.75	(U.S. $100,000)	130,550	6,676
8A	June 30, 1981	June 30, 1991	15.00	(U.S. $ 75,000)	97,913	22,256
8D	Nov. 15, 1981	Nov. 15, 1991	15.75	(U.S. $125,000)	163,188	16,382
6H	Feb. 1, 1967	Feb. 1, 1992	5.875	(U.S. $ 40,000)	52,220	52,220
6J	July 1, 1967	July 1, 1992	6.25	(U.S. $ 35,000)	45,693	45,693
6K	Oct. 15, 1967	Oct. 15, 1992	6.50	(U.S. $ 35,000)	45,693	45,693
6N	Feb. 1, 1968	Feb. 1, 1993	7.00	(U.S. $ 40,000)	52,220	52,220
6Q	Aug. 1, 1968	Aug. 1, 1993	7.25	(U.S. $ 25,000)	32,638	32,638
6S	Nov. 15, 1968	Nov. 15, 1993	7.25	(U.S. $ 35,000)	45,692	44,664
6T	March 1, 1969	March 1, 1994	7.625	(U.S. $ 30,000)	39,165	37,290
AN	May 7, 1979	May & Nov. 11, 1989 -May 11, 1994(a)	9.85	(U.S. $ 50,000)	65,275	(B)
6U	Aug. 1, 1969	Aug. 1, 1994	8.625	(U.S. $ 35,000)	45,692	41,077
6V	Nov. 15, 1969	Nov. 15, 1994	9.00	(U.S. $ 35,000)	45,692	40,116
6W	March 15, 1970	March 15, 1995	9.75	(U.S. $ 20,000)	26,110	22,184
7P	Dec. 29, 1977	Dec. 29, 1987-1997(a)	8.875	(U.S. $ 37,400)	48,826	(B)
8K	Feb. 1, 1983	Feb. 1, 1998	11.75	(U.S. $100,000)	130,550	15,727
7L	March 1, 1976	March 1, 2001	9.25	(U.S. $ 60,000)	78,330	31,033
8L	May 15, 1983	May 15, 2013	11.50	(U.S. $150,000)	195,825	7,211
8V	March 15, 1986	March 15, 2016	8.875	(U.S. $150,000)	195,825	1,968
					1,870,963	533,794

Series	Date of Issue	Date of Maturity	Rate		Amount Outstanding	Sinking Funds
Payable in Other Currencies (F)						
7F	July 15, 1972	July 15, 1987	7.50	(FF 25,000)	5,440	5,440
8T	Nov. 13, 1985	Nov. 13, 2005	5.50	(SF 200,000)	173,420	1,348
8C	Oct. 31, 1981	Oct. 31, 2011	16.75	(UK£ 30,000)	62,931	2,188
8P	April 18, 1984	April 18, 2019	11.75	(UK£ 60,000)	125,862	742
AL	March 18, 1987	March & Sept. 18, 1997 – March 18, 2008(a)	5.75	(Yen 30,000,000)	268,920	(C)
					636,573	9,718
General Sinking Funds					N/A	77,427
					$5,212,385	$1,102,183

The following is a schedule of debentures maturing in each of the next five fiscal years with related sinking funds. Amounts payable in foreign currencies and related sinking funds invested in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

For the year Ending March 31	Maturing Debentures	Related Sinking Funds
	(in thousands)	
1988	$ 179,815	$ 57,726
1989	178,097	62,171
1990	284,161	35,227
1991	311,458	52,627
1992	417,778	144,934

NOTES:

(a) Serial maturity

(b) Payable in advance of stated maturity at the option of the holder.

(A) Debentures held by the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice when he deems it necessary in order to meet the requirements of the Canada Pension Plan. Amounts are borrowed monthly and consolidated into one debenture annually.

The Province has established sinking funds for retirement of borrowings from the Canada Pension Plan Investment Fund, with annual payments commencing one year after the consolidation of monthly borrowings.

(B) Debenture issues to be retired through annual principal payments during the years indicated.

(C) Sinking fund payments normally commence on the first anniversary date of the issue of the debentures and are generally designed to retire the debt over a 20 to 25 year period unless the term of the issue is longer. Sinking fund investments consist primarily of debentures of the Province of Nova Scotia and Government of Canada.

(D) Issue to be retired from proceeds of a trust established to repay indebtedness to the Province.

(E) Debentures payable in U.S. currency, totalling U.S. $1,433,139,000, and related sinking funds of U.S. $408,881,000 are reflected at the rate of exchange in effect at March 31, 1987.

(F) Canadian dollar equivalent at rates of exchange in effect at March 31, 1987.

Province of Nova Scotia

Notes to the Financial Statements

March 31, 1987

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

Public Accounts

The Public Accounts of the Province, of which these financial statements are a part, are presented annually to the Legislative Assembly and contain, among other information, the detail of revenue and recoveries, current and capital expenditure, borrowing and investing authorities as well as detailed expenditure by object.

Consolidated Fund

The receipt of public revenues, the disbursement of public funds, the control of expenditures and the keeping and auditing of the accounts of the Province are governed by various Provincial statutes. All receipts and disbursements of public money must flow through the Consolidated Fund of the Province. However, the Consolidated Fund does not include special funds such as trust, pension and sinking funds.

Receipts and disbursements consist of current revenue and expenditure, capital expenditure and recoveries, advances and investments, and other transactions.

Any net cash requirement of the Consolidated Fund is provided by the Province's traditional sources of financing, including internal sources and borrowings in financial markets.

Net Direct Debt

The Province's financial statements are presented so as to highlight net direct debt, a measurement of financial position. Net direct debt consists of the direct liabilities of the Province less its realizable assets. Capital expenditures on assets of a long-term nature such as highways and public buildings are not considered to be realizable assets for purposes of calculating net direct debt.

Transactions affecting net direct debt are summarized in the statement of changes in net direct debt and consist of current operating revenue and expenditure, capital expenditure, changes in the provision for doubtful capital advances and investments, earnings on sinking funds, changes in the unrealized loss in respect of the translation of foreign currency debt, sinking funds and advances, discounts on debentures issued, expenditures charged to reserve accounts, and changes in the deficiency in net assets of Sydney Steel Corporation.

Budgetary Process

The budgetary estimates, as approved by the Legislative Assembly, provide the authority for current and capital expenditures and indicate the anticipated revenues and recoveries of the Province for the fiscal year. Authority for current expenditure expires at the end of the fiscal year. Authority for capital expenditure for a fiscal year does not expire until the end of the following fiscal year.

Authority for current and capital expenditures is also provided by special legislation and by order of the Lieutenant Governor in Council under the authority of the Provincial Finance Act.

The Estimates are presented annually to the Legislative Assembly and reflect anticipated revenue and expenditure programs for the fiscal year for which approval is requested.

The Estimates also include a Forecast for the previous fiscal year indicating revisions of revenue and expenditure projections.

Estimate and Forecast figures are reflected in the statements of current revenue and expenditure and of capital expenditure.

Accrual Accounting

The accounts of the Province are kept on the accrual basis, revenues being recorded when earned and expenditures being recorded when the liabilities are incurred, with the following exceptions.

Interest on advances made by the Province is included in revenue only as collected, except where interest is capitalized as part of the cost of land assembly projects for housing programs or pursuant to specific agreements.

Payments from the Federal Government under the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act in respect of Equalization and Established Programs Financing Payments and under the Tax Collection Agreement in respect of Personal and Corporate Income Taxes are subject to adjustment in future years. Adjustment payments are reflected separately under "Prior Years' Adjustments – Federal-Provincial Fiscal Arrangements."

Crown Corporations and Agencies

Profits and losses of corporations and agencies owned or controlled by the Province, with the exception of the Nova Scotia Liquor Commission, are not reflected in the revenues and expenditures of the Province except to the extent of any operating grants made by the Province. Operating grants are normally reflected as current expenditure. Profits of the Nova Scotia Liquor Commission are included in current revenue of the Province. The Province provides for the deficiency in the net assets of Sydney Steel Corporation in the calculation of net direct debt.

Net Revenue Surplus (Deficit), Special Reserve and Health Services Reserve Accounts

The annual net revenue surplus (deficit) consists of current revenue and recoveries, excluding sinking fund earnings, less current operating expenditure, and annual sinking fund instalments and serial retirements in respect of capital liabilities.

Pursuant to the Provincial Finance Act, the net revenue surplus in any year may be transferred to special reserve account. The Health Services Tax Act provides that the Minister of Finance may pay out of the Consolidated Fund of the Province such sums as are deemed necessary to establish the health services reserve account. Amounts in these accounts and funds created therefrom may be used for the various purposes defined under the Acts (See Note 2).

Capital Expenditure

Expenditures resulting in the construction or acquistion of assets which are expected to have a useful life in excess of five years are charged to capital in the Province's accounts. Capital account appropriations also include certain expenditures on assets of a long-term nature to which title may vest with entities other than the Provincial Government (such as hospitals or municipalities), but which are considered to be for the benefit of the general populace of the Province. In addition, capital account appropriations include the present value of long-term leases under which the Province assumes substantially all of the benefits and risks of ownership related to the leased property. Capital expenditures are not considered to be realizable assets for purposes of calculating net direct debt.

Capital Advances and Investments

Capital advances and investments, including those to or on behalf of corporations and agencies owned or controlled by the Province, are made under the authority and limitations of various Provincial statutes. Capital advances and investments are reflected in the financial statements net of losses and provisions for losses, which are charged directly to the Net Direct Debt account.

Accounts Receivable and Current Advance

Accounts receivable and current advances are reflected in the financial statements net of provisions for losses or uncollectible amounts, which are established as required through charges to current revenue and expenditure.

Inventories

Inventories consist mainly of goods for resale and machinery repair parts, gravel, lumber and other materials relating to the upkeep of highways. Inventories also include selected operating supplies, which are used mainly by Provincially operated hospitals, hotels and educational institutions. Inventories are stated at the lower of cost and net realizable value.

Debentures and Sinking Funds

The Province's debentures payable in foreign currencies, accrued interest thereon, and related sinking funds invested in foreign currencies, are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. Foreign exchange rate adjustments arising from sinking fund instalments and serial retirement payments and from the payment of interest are reflected in current expenditure at rates in effect at the date of the transaction.

The Province operates sinking funds for the purpose of retiring debentures and Government of Canada Loans. These sinking funds are reflected in the statement of financial position at cost adjusted for the amortization of premiums and discounts on investments.

Pursuant to the Provincial Finance Act, sinking fund instalments and serial retirements of capital liabilities are treated as a current expenditure in the calculation of net revenue surplus (deficit).

Earnings on sinking funds are not reflected as current account revenue.

Foreign Currency Translation — Unrealized Losses and Gains

Capital advances and debentures denominated in foreign currencies, together with related sinking funds, are translated into the Canadian dollar equivalent at rates prevailing at the date of the financial statements.

The unrealized foreign currency gains or losses on debentures, net of related sinking funds and advances, are amortized over the terms of the respective debenture issues by charges or credits to current expenditure.

Discounts on Debentures

Discounts and underwriting commissions related to the issuance of debentures are amortized over the terms of the related debenture issues by annual charges to current expenditure. Unamortized discounts at March 31, 1987 amounted to $38,747,000 (1986 — $40,521,000).

2. SPECIAL RESERVE AND HEALTH SERVICES RESERVE ACCOUNTS

Pursuant to authority granted by the Lieutenant Governor in Council, expenditures may be made from funds created from special reserve account and health services reserve account rather than being reflected in the calculation of the net revenue surplus (deficit) or as capital expenditures. Expenditures from these accounts amounted to $18,000 for the fiscal year ended March 31, 1987 (1986 — $18,000).

The unexpended balances of these accounts at March 31, 1987, which form part of the Consolidated Fund, amounted to $8,181,000 (1986 - $8,153,000) of which $2,531,000 (1986 - $2,853,000) had been authorized to be advanced or expended and $5,650,000 (1986 - $5,300,000) represented unappropriated balances of the accounts.

3. INVESTMENTS

At March 31, 1987, investments included $21,425,000 (1986 - $20,007,000), net of an allowance for uncollectible amounts of $2,605,000 (1986 - $2,605,000) of redeemable preference shares of Industrial Estates Limited ("IEL") purchased by the Province, of which $20,226,000 (1986 - $18,807,000) is in respect of expenditures by IEL for the development of industrial parks. The shares issued in respect of the development of industrial parks are redeemable from the proceeds of the sale of industrial park lands. During the year, the Province purchased $1,419,000 (1986 - $175,000) of additional preference shares representing additional expenditures on industrial parks of $2,710,000 (1986 - $558,000) less sales and depreciation of $1,291,000 (1986 - $383,000).

At March 31, 1987, investments also included $5,000,000 (1986 - $25,334,000) of redeemable non-voting preferred shares of National Sea Products Limited. During the year ended March 31, 1987, Canso Sea Products Limited, a wholly owned subsidiary of National Sea Products Limited, converted $19,110,000 of its redeemable, non-voting preferred shares to loans under the Industrial Development Act. A further $1,224,000 of the preferred shares included in investments were redeemed by the company.

4. SYDNEY STEEL CORPORATION (SYSCO)

Sydney Steel Corporation, a Provincial Crown corporation established by an Act of the Legislature, operates a steel mill at Sydney.

To March 31, 1987, the Province had made cumulative operating grants to Sysco totalling $183,975,000 (including operating grants of $6,466,000 for the fiscal year ended March 31, 1987 [1986 - $7,385,000]), converted $52,332,000 of advances to Sysco to equity, made $85,559,000 in equity contributions for debt retirement, and contributed $129,382,000 in respect of capital expenditure programs of which approximately $96,389,000 has been recovered from the Federal Government. Annual operating grants are reflected as current expenditure and equity contributions as capital expenditure in the Province's financial statements.

At March 31, 1987, the Province had given guarantees in respect of Sysco as follows:

	(in thousands)
- Guaranteed lines of credit (maximum of $418,000,000)	$401,602
- U.S. $15,800,000 of debentures	20,627 (1)
- Performance bonds and letters of credit (of a $10,000,000 guaranteed line of credit)	5,025
	$427,254

(1) Canadian dollar equivalent at the rate of exchange in effect at March 31, 1987.

To March 31, 1987, the Province had reflected $272,839,000 in the calculation of net direct debt in respect of the deficiency in Sysco's net assets. The deficiency represents the amount by which Sysco's liabilities, the majority of which are guaranteed by the Province, exceed the book value of Sysco's assets after deducting accumulated depreciation. During the fiscal year ended March 31, 1987, the Province recorded a net increase of $53,961,000 in the calculation of net direct debt in respect of the change in Sysco's net assets during the year, calculated as follows:

	(in thousands)
- Net loss of Sysco for the year after adjusting for transfer of $1,643,000 from appraisal surplus in respect of depreciation charges	$64,458
- Less: Equity contributions by Province to Sysco for debt retirement ($6,950,000) and capital construction ($3,547,000)	10,497
	$53,961

The ability of Sysco to continue as a viable operation is dependent on the continued financial support of the Province and on an improved level of operating results. It is not possible to determine at present the extent of any losses that may be incurred by the Province on its equity contributions to Sysco and on its guarantees of Sysco's indebtedness.

5. DEUTERIUM OF CANADA LIMITED (DEUTERIUM)

On February 9, 1978, an agreement was signed for the sale of the facilities of Deuterium and its subsidiaries to Atomic Energy of Canada Limited (AECL), the Federal Government corporation responsible for Canada's nuclear program. The purchase price is being paid in quarterly instalments over 20 years, which commenced April 1, 1978, amounting to $3,300,000 per year. Title to the facilities will pass upon payment of the final instalment..

The instalments are being paid by AECL to a trustee, which is obligated to invest the funds and the earnings thereon in debentures of the Province yielding 5.5% to maturity. These investments amounted to $38,099,000 at March 31, 1987. At the date of the final payment, January 1, 1998, the fund will total $118,900,000 and will be used to repay the Province's advances to and investment in Deuterium.

At March 31, 1987, advances to and investment in Deuterium amounted to $113,897,000 and $3,025,000, respectively. Since March 31, 1970, the Province has waived interest on its advances to Deuterium.

6. DEBENTURES AND OTHER CAPITAL LIABILITIES

Debentures

Debentures payable in foreign currencies and related sinking funds invested in foreign currencies are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. (See Statement of Debentures and Sinking Funds for details).

Other Capital Liabilites

Other capital liabilities as at March 31, 1987 and 1986 consist of the following:

	1987	1986
	(in thousands)	
Government of Canada Loans	$38,872	$42,624
Less: Sinking Funds	3,958	3,696
	34,914	38,928
Obligation under Capital Lease	11,349	—
	$46,263	$38,928

Government of Canada loans include funds provided in respect of municipal projects under federally sponsored programs which the Province in turn advanced to municipalities under similar terms and conditions. These advances amounted to $18,201,000 at March 31, 1987 (1986 - $20,124,000). The balance of the loans from the Government of Canada were provided to fund provincially sponsored projects. These loans bear interest at rates ranging from 7.03% to 9.57% and mature from March 31, 1993 to March 31, 2003, with $3,866,000 payable within the next fiscal year.

The capital lease, which expires June 1, 2011, was recorded using an assumed discount rate of 10.5%. Annual lease payments of $1,254,000 are required to May 1, 1996 followed by annual payments of $1,379,000 from June 1, 1996 to May 1, 2011 inclusive. At the assumed 10.5% discount rate $406,000 of the principal balance will be amortized over the next five years.

7. DEBT CHARGES AND SINKING FUNDS

Debt Charges

Debt Charges for the years ended March 31, 1987 and 1986 are summarized below:

	1987	1986
	(in thousands)	
Interest on outstanding debentures	$545,923	$505,443
Amortization of discounts on debentures	4,463	3,722
Interest on short-term borrowings	2,552	5,515
Foreign exchange costs realized	10,414	9,062
Amortization of unrealized foreign exchange costs	(6,781)	14,860
Other financing charges and costs	1,650	667
	$558,221	$539,269

Sinking Funds

Sinking funds consist primarily of debentures of the Province of Nova Scotia and the Government of Canada. Sinking funds for debentures payable in U.S. currency are invested in U.S. funds. Where feasible, sinking funds for debentures payable in other currencies are invested in the currency of the issue, with the balance invested in Canadian funds.

Sinking fund instalments and serial retirements and other amounts charged to current revenue during the fiscal year ended March 31, 1987 amounted to $91,583,000 of which $41,398,000 represented required payments for the fiscal year. Sinking fund instalments and serial retirements are reflected in the calculation of net revenue deficit net of amounts totalling $4,241,000 pertaining to borrowings of certain Crown corporations and Government of Canada loans on behalf of municipalities.

8. CONTINGENT LIABILITIES

The Province acts as a guarantor of debt issued by Crown corporations, agencies, and various other entities under authorities provided by Provincial statutes. At March 31, 1987, outstanding bank loans, bonds, debentures, etc. directly guaranteed by the Province totalled $2,095,565,000 as summarized below:

	(in thousands)
Nova Scotia Power Corporation	$1,182,364
Sydney Steel Corporation (See Note 4)	422,229
Nova Scotia Municipal Finance Corporation	213,505
Halifax-Dartmouth Bridge Commission	105,472
Nova Scotia Resources Limited	125,617
Trade Centre Limited	20,000
Industrial Development Act	22,830
Other	3,548
	$2,095,565

The Province is also contingently liable, pursuant to an agreement between the Government of Canada and the Province entered into under the Atlantic Provinces Power Development Act, for the repayment by the Nova Scotia Power Corporation of long-term notes payable to the Government of Canada amounting to $43,576,000 at March 31, 1987. The Province has also guaranteed contractual obligations of the Nova Scotia Power Corporation amounting to $12,440,000 at March 31, 1987.

At March 31, 1987, the Province had guaranteed performance bonds and letters of credit totalling $5,025,000 for Sydney Steel Corporation and had issued other performance guarantees totalling $12,114,000 pursuant to the Industrial Development Act.

9. CANADA-NOVA SCOTIA (OFFSHORE) DEVELOPMENT FUND

The Canada-Nova Scotia Oil and Gas Agreement Act established a $200,000,000 Development Fund to support expenditures incurred by the Province that relate to offshore development. The Act and Agreements pursuant thereto provide that the Government of Canada may disburse up to $50,000,000 annually to the Province for each of the four years beginning in the 1984-85 fiscal year. Funds may be paid to the Province pursuant to the approval of projects by the Federal Minister of Energy, Mines and Resources. Funds not disbursed in one fiscal year may be carried forward and disbursed in subsequent fiscal years.

In August 1986 the Governments of Nova Scotia and Canada signed the Canada-Nova Scotia Offshore Petroleum Resources Accord which supersedes the 1982 Canada-Nova Scotia Agreement. Among other things, the Accord affirms the Government of Canada's commitment to provide the Province with a $200,000,000 Development Fund and amended the previous agreement to waive repayment of such amount.

During the 1986-87 fiscal year, $18,509,000 of capital expenditure and $1,951,000 of current expenditure incurred by the Province were charged to the Canada-Nova Scotia (Offshore) Development Fund. The total disbursements charged to the Fund to March 31, 1987 amounted to $90,777,000.

10. COMMITMENTS

The Province was obligated to the extent of approximately $66,021,000 for construction contracts entered into on or before March 31, 1987 and not completed at that date, of which $25,855,000 is in respect of projects being funded by other agencies or the Federal Government.

The Province also has a statutory requirement to make payments to municipalities and school boards to service debt incurred with respect to the construction, alteration and improvements to school buildings or acquiring land therefor. At March 31, 1987, outstanding debt of the municipalities and school boards for these purposes was $152,533,000, of which $47,788,000 was provided through the Provincially guaranteed borrowings of the Nova Scotia Municipal Finance Corporation. Annual principal and interest payments to service this debt for the years ending March 31, 1988 to 1992 are $34,833,000, $35,049,000, $32,914,000, $31,117,000 and $29,376,000, respectively.

11. PUBLIC SERVICE SUPERANNUATION FUND

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The operation of the plan is generally conducted within the Public Service Superannuation Fund to which employee and matching employer contributions and investment income are credited and payments to pensioners and terminating employees are charged. The Public Service Superannuation Fund is invested in federal, provincial, municipal and corporate securities and mortgages eligible for investment under the Provincial Finance Act.

The Public Service Superannuation Fund is not part of the Consolidated Fund of the Province. However, Provincial legislation and regulations provide that certain payments to pensioners are charged to the Consolidated Fund of the Province rather than to the Public Service Superannuation Fund. Such payments for the fiscal year ended March 31, 1987 amounted to $2,168,000 (1986 - $1,453,000) or 6.1% of the total benefits paid. In addition, payments must be made by the Province out of its Consolidated Fund if the Public Service Superannuation Fund is insufficient to provide for pension payments as they become due.

The plan is funded by employee contributions of 7% of salary and equal contributions by the Province and participating agencies. During the fiscal year ended March 31, 1987, matching employer contributions of the Province and participating agencies totalled $18,005,000 and $7,272,000, respectively; employee and employer contributions for the year totalled $50,554,000.

Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year for which contributions were made. Benefits paid are integrated with Canada Pension Plan benefits. Employees and the Province contribute at a reduced rate (5.4%) and receive a reduced pension (1.3%) in respect of earnings eligible for Canada Pension Plan benefits. Pension payments are increased annually (January 1) by the lesser of the increase in the Consumer Price Index or 6%.

At March 31, 1987, the Public Service Superannuation Fund amounted to $743,355,000 (1986 – $644,205,000). Fund assets are valued at cost adjusted for the amortization of discounts and premiums, with the exception of equity investments which are valued at cost. The market value of assets at March 31, 1987 was $94,285,000 (1986 – $86,627,000) in excess of the book value.

Actuarial valuations of the Public Service Superannuation Fund are carried out periodically and provide an estimate of fund liabilities at a point in time, calculated on the basis of various assumptions with respect to pension plan costs and rates of return on investments. The latest report on the actuarial valuation of the Public Service Superannuation Fund was based on information as of March 31, 1987.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and projected average salaries for the five highest years at the date of retirement. The assumptions used in the actuarial valuation at March 31, 1987 include a 4.5% inflation rate, 0.5% real average salary increases and a 4.5% real rate of return on investments. The actuarial valuation, adjusted to reflect subsequent changes to the Pension Plan, indicates that at March 31, 1987, the Fund had actuarial liabilities with a present value of $994,469,000, assets of $753,889,000 and an unfunded actuarial liability of $240,580,000. Approximately 88% of employee and employer contributions are required to meet current service costs; the remaining 12% is available for funding of past service costs.

This brochure and other Financial Publications may be obtained by writing to:

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